

**KINGSTON COMMUNITY SCHOOLS**

Kingston, Michigan

**REPORT ON FINANCIAL STATEMENTS**

(with required supplementary and  
additional information)

June 30, 2005

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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August 11, 2005

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Kingston Community Schools  
Kingston, Michigan 48741

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kingston Community Schools, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Kingston Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kingston Community Schools as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2005 on our consideration of Kingston Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through vi and 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
Kingston Community Schools  
August 11, 2005

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kingston Community Schools' basic financial statements. The additional information on pages 23 to 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

# **Kingston Community Schools**

## **Management's Discussion and Analysis**

### **For Fiscal Year Ended June 30, 2005**

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Kingston Community School District, a K-12 school district located in Tuscola County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Kingston Community School District administration's discussion and analysis of the financial results for the fiscal years ended June 30, 2005 and June 30, 2004.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

#### **Fund Financial Statements**

For the most part, the fund financial statements are comparable to prior years' financial statements. The primary difference is that the Account Groups (General Fixed Assets and General Long – Term Debt) are no longer reported. The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

#### **Government-wide Financial Statements**

The government-wide financial statements are required by GASB 34. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

**Kingston Community School**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005

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**Summary of Net Assets**

The following schedule summarizes the net assets at fiscal year ended June 30, 2005 and 2004:

<b>Assets</b>	<b><u>6/30/05</u></b>	<b><u>6/30/04</u></b>
Current assets	\$2,354,667	\$2,384,401
Capital assets	12,754,686	12,486,739
Less: Accumulated depreciation	<u>(4,656,795)</u>	<u>(4,355,534)</u>
Capital assets, net book value	8,097,891	8,131,205
Total assets	<u>\$10,452,558</u>	<u>\$10,515,606</u>
<b>Liabilities</b>		
Current liabilities	\$1,283,762	\$937,541
Long-term liabilities	<u>7,151,429</u>	<u>7,290,998</u>
Total liabilities	8,435,191	8,228,539
<b>Net Assets</b>		
Invested in capital assets, net of related debt	726,423	628,225
Restricted for debt service	216,058	188,808
Restricted for Woloshen	141,046	163,072
Unrestricted	<u>933,840</u>	<u>1,306,962</u>
Total net assets	2,017,367	2,287,067
Total liabilities and net assets	<u>\$10,452,558</u>	<u>\$10,515,606</u>

**Analysis of Financial Position**

During the fiscal year ended June 30, 2005, the District's net assets decreased by \$269,700. A few of the more significant factors affecting net assets during the year are discussed below.

**1. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal years ended June 30, 2005 and June 30, 2004, \$384,584 and \$389,189 were recorded for depreciation expense.

**Kingston Community School**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005

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**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2005, \$369,385 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

The net effect of the new capital assets and the current year's depreciation is a decrease to capital assets in the amount of \$33,314 for the fiscal year ended June 30, 2005.

**Results of Operations**

For the fiscal year ended June 30, 2005 and 2004, the results of operations, on a District-wide basis, were:

	<u>Year Ended June 30,</u> <u>2005</u>		<u>Year Ended June, 30,</u> <u>2004</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
<b>General Revenues</b>				
Property Taxes	\$ 718,636	11.96%	\$ 675,715	10.68%
Investment earnings	55,143	0.92%	21,391	0.34%
State sources	4,485,952	74.66%	4,265,469	67.43%
Other	<u>239,920</u>	<u>3.99%</u>	<u>347,124</u>	<u>5.49%</u>
Total general revenues	5,499,651	91.53%	5,309,699	83.94%
<b>Program Revenues</b>				
Charges for services	192,724	3.21%	131,098	2.07%
Operating grants	<u>316,195</u>	<u>5.26%</u>	<u>884,834</u>	<u>13.99%</u>
Total revenues	\$6,008,570	100.00%	\$6,325,631	100.00%
<b>Expenses</b>				
Instruction	\$3,313,326	52.31%	\$3,596,473	57.10%
Support services	1,679,376	26.52%	2,004,639	31.83%
Food services	232,808	3.68%	227,364	3.61%
Athletics	123,830	1.96%	123,862	1.97%
Interest on long-term debt	437,487	6.91%	321,169	5.10%
Unallocated depreciation expense	384,584	6.07%	18,516	0.29%
Other	<u>162,221</u>	<u>2.56%</u>	<u>6,315</u>	<u>0.10%</u>
Total expenses	<u>\$6,333,632</u>	<u>100.00%</u>	<u>\$6,298,338</u>	<u>100.00%</u>
Increase in net assets	\$(325,062)		\$27,293	

**Kingston Community School**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005

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**Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levied 17.2485 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2004-2005 fiscal year, the district levied \$248,665 non-homestead property taxes. This represented an increase of \$15,562 from the prior year. The amount of unpaid property taxes at June 30, 2005, less an estimate for those deemed to be un-collectible, was \$2,800.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	Increase (Decrease) from prior year
2004 – 2005	\$248,665	\$15,652
2003 – 2004	233,013	9,425
2002 – 2003	223,588	

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2004 – 2005 fiscal year, the District's foundation allowance was \$6,700 per student FTE, which represented no increase over the amount received for the 2003 – 2004 fiscal year.

**3. Student Enrollment**

The following schedule lists the actual blended student FTE for the past five fiscal years:

	Actual Blended Student FTE
2004 – 2005	668
2003 – 2004	663
2002 – 2003	758
2001 – 2002	736
2000 – 2001	739



**Kingston Community School**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005

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**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2005, federal, state and other grants accounted for \$286,519. This represents a decrease of \$38,578 over the total grant sources received for the 2003 – 2004 fiscal year.

**5. Interest Earnings**

The District received interest on its investments in the amount of \$23,292 for the fiscal year ended June 30, 2005. This represents an increase over the prior fiscal year of \$1,901.

**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1<sup>st</sup>. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30<sup>th</sup>.

For the 2004 – 2005 fiscal year, the district amended the general fund budget two times with the Board adopting the final changes in June 2005. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget positive (negative)	% Variance
Total revenues	<u>4,924,187</u>	<u>5,062,224</u>	<u>5,085,896</u>	<u>23,672</u>	<u>0.47%</u>
Expenditures					
Instruction	3,141,174	3,282,951	3,300,056	(17,105)	0.53%
Supporting services	1,818,011	1,759,685	1,709,752	49,933	2.84%
Other	<u>140,561</u>	<u>120,925</u>	<u>119,153</u>	<u>1,772</u>	<u>0.97%</u>
Total expenditures	<u>5,099,716</u>	<u>5,163,561</u>	<u>5,128,961</u>	<u>34,600</u>	<u>4.34%</u>

**Capital Asset and Debt Administration**

**Capital Assets**

By the end of the 2004 – 2005 fiscal year, the district had invested \$12,754,686 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents an increase of \$267,947 over the prior fiscal year. Net depreciation expense for the year amounted to \$301,261, bringing the accumulation to \$4,656,795 as of June 30, 2005.

**Kingston Community School**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005

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**Long- term Debt**

At June 30, 2005, the District had \$7,456,840 in long-term debt outstanding. This represents a reduction of \$118,242 over the amount outstanding at the close of the prior fiscal year. During the current fiscal year, the school sold \$1,820,000 in bonds to refinance the 1996 bonds.

**Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2005 – 2006 fiscal year. The early indication is that the foundation allowance will increase by about 2.6% which will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- As with other employers, the District continues to face a rapid increase in rates paid for employee benefits, particularly for health insurance. Additionally, the State has increased the retirement rate from 12.99% to 14.87% to fund the retirement system. The increase in the number of retirees projected to occur over the next few years may result in higher annual increases.
- The contract with the Kingston Community Schools Education Association, the union that represents the teaching staff, expires August 31, 2007.
- The state of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

George C. Bednorek, Superintendent  
Kingston Community Schools  
5790 State St.  
Kingston, MI 48741  
(989) 683-2294

## **BASIC FINANCIAL STATEMENTS**

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
June 30, 2005

	<b>ASSETS</b>	<b>GOVERNMENTAL ACTIVITIES</b>
<b>CURRENT ASSETS:</b>		
Cash and equivalents		\$ 158,812
Investments		1,272,920
Due from other governmental units		906,657
Property taxes receivable		2,800
Inventory		13,478
<b>TOTAL CURRENT ASSETS</b>		<u>2,354,667</u>
<b>NONCURRENT ASSETS:</b>		
Capital assets		12,754,686
Less accumulated depreciation		<u>(4,656,795)</u>
<b>TOTAL NONCURRENT ASSETS</b>		<u>8,097,891</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 10,452,558</u></u>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>		
Accounts payable		\$ 35,687
Accrued salaries and wages		288,442
Accrued employee benefits		111,240
Deferred Revenue		31,123
State aid note payable		450,000
Accrued interest payable		61,859
Current portion of long term debt		<u>305,411</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>1,283,762</u>
<b>NONCURRENT LIABILITIES:</b>		
Bonds Payable		7,034,227
Bus Notes Payable		31,830
Compensated absences		<u>85,372</u>
<b>TOTAL NONCURRENT LIABILITIES</b>		<u>7,151,429</u>
<b>NET ASSETS:</b>		
Invested in capital assets, net of related debt		726,423
Restricted for debt service		139,541
Restricted for Woloshen		141,046
Unrestricted		<u>1,010,357</u>
<b>TOTAL NET ASSETS</b>		<u>2,017,367</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><u>\$ 10,452,558</u></u>

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 3,313,326	\$ 49,658	\$ 131,740	\$ (3,131,928)
Support services	1,679,376	21,282	56,460	(1,601,634)
Community service	77,641			(77,641)
Food services	232,808	89,845	127,995	(14,968)
Athletics	123,830	31,939		(91,891)
Public Library	19,377			(19,377)
Woloshen	24,812			(24,812)
Capital Outlay - GASB 34				-
Capital Projects	39,008			(39,008)
Interest on long-term debt	437,487			(437,487)
Other	1,383			(1,383)
Unallocated depreciation	384,584			(384,584)
Total governmental activities	<u>\$ 6,333,632</u>	<u>\$ 192,724</u>	<u>\$ 316,195</u>	<u>(5,824,713)</u>
General revenues:				
Property taxes, levied for general purposes				248,665
Property taxes, levied for debt service				469,971
State of Michigan school aid unrestricted				4,485,952
Investment revenue				55,143
Penal fines				23,147
Miscellaneous				95,035
Sale of fixed assets				(13,313)
QZAB revenues				135,051
Total general revenue				<u>5,499,651</u>
Change in net assets				(325,062)
Net assets, beginning of year				2,287,067
Prior period adjustment - QZAB				<u>55,362</u>
Net assets, end of year				<u>\$ 2,017,367</u>

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2005

	<b>GENERAL FUND</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><i>ASSETS</i></b>			
CURRENT ASSETS:			
Cash and equivalents	\$ 49,286	\$ 109,526	\$ 158,812
Investments	887,919	385,001	1,272,920
Due from other governmental units	904,332	2,325	906,657
Inventory		13,478	13,478
<b><i>TOTAL ASSETS</i></b>	<b><u>\$ 1,841,537</u></b>	<b><u>\$ 510,330</u></b>	<b><u>\$ 2,351,867</u></b>
 <b><i>LIABILITIES AND FUND BALANCE</i></b>			
LIABILITIES:			
Accounts payable	\$ 17,204	\$ 18,483	\$ 35,687
Salaries payable	288,442		288,442
Accrued employee benefits	111,240		111,240
Accrued interest	6,700		6,700
Deferred revenue	25,302	5,821	31,123
State aid note payable	450,000		450,000
<b>TOTAL LIABILITIES</b>	<b><u>898,888</u></b>	<b><u>24,304</u></b>	<b><u>923,192</u></b>
FUND BALANCE:			
Reserved for debt service			-
Unreserved:	942,649	208,109	1,150,758
Reserved		277,917	277,917
<b>TOTAL FUND BALANCE</b>	<b><u>942,649</u></b>	<b><u>486,026</u></b>	<b><u>1,428,675</u></b>
<b><i>TOTAL LIABILITIES &amp; FUND BALANCE</i></b>	<b><u>\$ 1,841,537</u></b>	<b><u>\$ 510,330</u></b>	<b><u>\$ 2,351,867</u></b>

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets  
June 30, 2005

<b>Total Fund Balances - Governmental Funds</b>	\$ 1,428,675
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is:	12,754,686
Accumulated depreciation is:	(4,656,795)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable:	(7,339,638)
Bus notes payable	(31,830)
Compensated absences:	(85,372)
Accrued interest is not reported as a liability in governmental funds; it is recorded when paid:	(55,159)

Balance of taxes receivable at 6/30/05 less allowance for doubtful accounts	<u>2,800</u>
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<b>Net Assets of Governmental Activities</b>	<u><u>\$ 2,017,367</u></u>
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The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	<b>GENERAL FUND</b>	<b>OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
REVENUES:			
Local sources	\$ 430,791	\$ 623,422	\$ 1,054,213
State sources	4,466,905	19,047	4,485,952
Federal sources	188,200	127,995	316,195
<b>TOTAL REVENUES</b>	<b>5,085,896</b>	<b>770,464</b>	<b>5,856,360</b>
EXPENDITURES:			
Instruction	3,300,056		3,300,056
Supporting services	1,709,752		1,709,752
Community services	77,641		77,641
Food Service		232,808	232,808
Athletic Activities		123,830	123,830
Public Library		19,377	19,377
Woloshen		24,812	24,812
Capital Projects		378,017	378,017
Debt services:			
Retirement of bonds & bus notes	41,512	180,000	221,512
Interest on bonded debt		310,336	310,336
Fees		1,383	1,383
<b>TOTAL EXPENDITURES</b>	<b>5,128,961</b>	<b>1,270,563</b>	<b>6,399,524</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(43,065)</b>	<b>(500,099)</b>	<b>(543,164)</b>
OTHER FINANCING SOURCES (USES):			
Transfer to/from other funds	(152,180)	152,180	-
Bond proceeds		135,051	135,051
Bond refunding activity		(1,863)	(1,863)
Payments from ISD	3,423		3,423
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(148,757)</b>	<b>285,368</b>	<b>136,611</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<b>(191,822)</b>	<b>(214,731)</b>	<b>(406,553)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>1,134,471</b>	<b>645,395</b>	<b>1,779,866</b>
<b>PRIOR PERIOD ADJUSTMENT - QZAB</b>		<b>55,362</b>	<b>55,362</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 942,649</b>	<b>\$ 486,026</b>	<b>\$ 1,428,675</b>

The accompanying notes are an integral part of the financial statements.



**KINGSTON COMMUNITY SCHOOLS**  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
June 30, 2005

**Total net change in fund balances--governmental funds** **\$ (406,553)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(384,584)
Capital outlay	369,385

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)

Proceeds from 2005 bond refunding	(1,820,000)
Repayment of bond principal	180,000
Payment to bond escrow agent	1,730,000

Proceeds from capital assets sold are recorded as income in governmental funds. However, in the statement of activities, the actual gain or loss is recorded.

Cost of assets sold	(101,438)
Accumulated depreciation of assets sold	83,323

Bus note repayments and proceeds affect long term liabilities in the statement of net assets and does not affect the statement of activities.

Repayment of bus note principal	41,512
---------------------------------	--------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

Accrued interest payable at the beginning of the year	51,722
Accrued interest payable at the end of the year	(55,159)

Accrued compensated absences are recorded in the statement of activities when incurred, but it is not recorded in the governmental funds until it is paid.

Accrued absences at the beginning of the year	72,102
Accrued absences at the end of the year	(85,372)

<b>Change in net assets of governmental activities</b>	<b>\$ (325,062)</b>
--	---------------------

The accompanying notes are an integral part of the financial statements.

**KINGSTON COMMUNITY SCHOOLS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
June 30, 2005

	<u>AGENCY FUNDS</u>
<b><u>ASSETS</u></b>	
Cash	\$ 61,276
<b><i>TOTAL ASSETS</i></b>	<b><u>\$ 61,276</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>	
Due to student organizations	\$ 61,276
<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<b><u>\$ 61,276</u></b>

The accompanying notes are an integral part of the financial statements.

## KINGSTON COMMUNITY SCHOOLS

### Notes to Financial Statements For The Year Ended June 30, 2005

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The basic financial statements of the Kingston Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

In 2004, the District implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Government: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, and GASB Statement No. 38, *Certain Financial Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, district-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that district-wide financial statements are needed to allow user's of financial reports to access a government's operational accountability. The new GASB model integrates fund-based financial reporting and district-wide financial reporting as complementary components of a single comprehensive financial reporting model.

#### **REPORTING ENTITY:**

The Kingston Community Schools (the "District") is governed by the Kingston Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. Also, based on the same criteria, there are no potential component units of government which are required to be included in the reporting entity for Kingston Community Schools.

#### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

## KINGSTON COMMUNITY SCHOOLS

### Notes to Financial Statements For The Year Ended June 30, 2005

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

##### **GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):**

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

##### **GOVERNMENTAL FUNDS**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

##### **OTHER NON-MAJOR FUNDS**

The special *revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service, library, athletic activities, and the Woloshen account in the special revenue funds.

*Fiduciary funds* account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

The *debt service fund* accounts for the receipt of debt proceeds and that acquisition of fixed assets or construction of major capital projects.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:**

**Accrual Method:**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Modified Accrual Method:**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Revenue:**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005 the foundation allowance was based on the pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through payments from October 2004 - August 2005. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

# KINGSTON COMMUNITY SCHOOLS

## Notes to Financial Statements For The Year Ended June 30, 2005

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

#### **OTHER ACCOUNTING POLICIES**

##### **Cash and Cash equivalents**

Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

##### **Property Taxes.**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual date is February 15, after which time the bill becomes delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2005, the District levied the following amounts per \$1,000 of assessed valuation:

<b><u>FUND</u></b>	<b><u>MILLS</u></b>
General Fund – Non Homestead	17.2485
Debt Service Funds	6.640

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**Inventories**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion on interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

**Capital Assets.**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$3,000. Group purchases are evaluated on a case-by-case basis.

**Compensated Absences.**

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirement.

**Long-term obligations.**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**Use of Estimates.**

The process of preparing general purpose financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the State law the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Board of Education requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general, special revenue, and debt service funds. These budgets are adopted on a basis consistent with generally accepted accounting principals (GAAP).
5. Appropriations lapse at the end of each fiscal year.
6. The Board of Education may authorize supplemental appropriations during the year. The Board of Education authorized budget amendments during the fiscal year at their regular scheduled board meetings.



**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:**

Cash and cash equivalents are held separately in the name of the district by each of the district's funds.

As of June 30, 2005, the District had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>(Years)</b>	<b>Rating</b>	<b>%</b>
MILAF External pool - MICMS	148,302	0.0027	AAAm	11.65
MILAF External pool - MIMAX	1,013,894	0.0027	AAAm	79.66
Guaranteed Investment Contract (GIC)	110,724	7.0000	A1+	8.69
Total fair value	<u>\$ 1,272,920</u>			100.0%
Portfolio weighted average maturity		<u>0.6114</u>		

1 day maturity equals 0.0027, one year equals 1.00

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2005, the carrying amount of the District's deposits was \$220,088 and the bank balance was \$325,965. Of the bank balance, \$173,895 was covered by federal deposit insurance while the remaining bank balance of \$152,070 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK (Continued):**

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the Note Payable Disclosed in Note 8.

The Investment Agreement, dated as of November 1, 2002, by and among Bank of New York Trust Company, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia Bank, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 103% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 2.60% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia Bank, as guarantor of the Provider's obligations under this Investment Agreement.

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$61,276	\$ 220,088
Investments	<u>1,272,920</u>
	<u><u>\$ 1,493,008</u></u>

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 158,812
Fiduciary Funds	61,276
Investments - District wide	<u>1,272,920</u>
	<u><u>\$ 1,493,008</u></u>

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 4 –FINAL ELEMENTARY BOND AUDIT REPORT:**

The Capital Projects Fund includes capital project activities funded by the sale of bonds. The following is a summary of the revenue and expenditures in the Kingston Community School District capital projects fund from the inception of the fund through the completion of the project.

	<u>June 30, 2003</u>	<u>June 30, 2004</u>	<u>June 30, 2005</u>	<u>TOTAL</u>
REVENUE:				
Sale of bonds	\$ 3,940,000			\$3,940,000
Interest income	12,631	\$ 12,135	\$ 2,646	27,412
TOTAL REVENUES	3,952,631	12,135	2,646	3,967,412
EXPENDITURES:				
Construction costs	-	3,415,272	234,509	3,649,781
Fees	317,631	-	-	317,631
TOTAL EXPENDITURES	317,631	3,415,272	234,509	3,967,412
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	3,635,000	(3,403,137)	(231,863)	-
FUND BALANCE – BEGINNING OF YEAR	<u>-</u>	<u>3,635,000</u>	<u>231,863</u>	
FUND BALANCE – END OF YEAR	<u>\$ 3,635,000</u>	<u>\$ 231,863</u>	<u>-</u>	<u>-</u>

**NOTE 5 –DUE FROM OTHER GOVERNMENTAL UNITS:**

Receivables at June 30, 2005 consist of the following:

State Aid	\$814,393
Title I	61,946
Title II	23,846
Other governmental units	<u>4,147</u>
	\$904,332

Amounts due from other governmental units include amounts due from federal, state and local sources for various projects and programs.

# KINGSTON COMMUNITY SCHOOLS

## Notes to Financial Statements For The Year Ended June 30, 2005

### **NOTE 6 –CAPITAL ASSETS**

A summary of changes in the District's capital assets follows:

	<b><u>BALANCE</u></b> <b><u>JULY 1, 2005</u></b>	<b><u>ADDITIONS</u></b>	<b><u>DELETIONS</u></b>	<b><u>BALANCE</u></b> <b><u>JUNE 30, 2005</u></b>
Capital assets:				
Land	28,200			\$28,200
Building and Improvements	10,880,306	\$246,606	\$22,126	11,104,786
Furniture and equipment	<u>1,578,233</u>	<u>122,779</u>	<u>79,312</u>	<u>1,621,700</u>
Total Capital Assets	12,486,739	369,385	101,438	12,754,686
Accumulated depreciation:				
Building and Improvements	(3,296,518)	\$(257,353)	\$ 4,782	(3,549,089)
Furniture and equipment	<u>(1,059,016)</u>	<u>(127,231)</u>	<u>78,541</u>	<u>(1,107,706)</u>
Total Accumulated depreciation:	<u>4,355,534</u>	<u>(384,584)</u>	<u>83,323</u>	<u>(4,656,795)</u>
Net capital assets	\$8,131,205	\$ (15,199)	\$(18,115)	\$8,097,891

Depreciation for the fiscal year ended June 30, 2005 amounted to \$384,584.

### **NOTE 7- DEFERRED REVENUE:**

Deferred revenue reported in the governmental funds at year - end consisted of the following:

	<b><u>General</u></b> <b><u>Fund</u></b>
At Risk Grant	\$ 2,601
MI School Readiness	20,747
Tech Prep	1,667
Safe & Drug Free Schools	<u>287</u>
Total	\$25,302
	<b><u>Food Services</u></b> <b><u>Fund</u></b>
Inventory - Food	\$ 5,821

**KINGSTON COMMUNITY SCHOOLS**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2005**

**NOTE 8- LONG TERM DEBT**

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

1996 general obligation bonds were refinanced in 2005 with the exception of the bonds due in 2005 and 2006. A final bond payment of \$65,000 with interest at 5.20% is due on May 1, 2006.	\$65,000
2005 general obligation refunding bonds due in annual installments of \$25,000 to \$170,000 through May 1, 2018 with interest at 3.0% to 3.9%.	1,820,000
2002 general obligation refunding bonds due in annual installments of \$40,000 to \$75,000 through May 1, 2018 with interest at 4.00% to 5.00%	680,000
2002E general obligation bonds due in annual installments of \$50,000 to \$275,000 through May 1, 2028 with interest at 3.00% to 4.85%	3,830,000
Qualified zone academy bonds – 15 annual payments of \$55,362 from November 1, 2003 through 2017 will be paid into a bank escrow account With the entire principal amount due November 1, 2017.	<u>944,638</u>
Total general obligation bonds	7,339,638
\$55,970 August 22, 2001, bus contract due in equal annual principal installments of \$11,194 through August 25, 2005. Interest at 5.20%	11,194
\$51,590 September 5, 2002, bus contract due in equal annual principal installments of \$10,318 through September 5, 2006. Interest at 4.54%	20,636
Obligation under contract for compensated absences	<u>85,372</u>
Total general long-term debt	\$7,456,840

During the year ended June 30, 2005 the District refinanced the 1996 bonds. New general obligation bonds were issued at a premium of \$27,625 after paying issuance costs of \$59,664, the net proceeds were \$1,787,961. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are paid off on May 1, 2018. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$200,923.

# KINGSTON COMMUNITY SCHOOLS

## Notes to Financial Statements For The Year Ended June 30, 2005

### **NOTE 8- LONG TERM DEBT (Continued)**

The annual requirements to amortize the long-term obligations as of June 30, 2005 are as follows:

<b><u>Year ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2006	\$ 296,874	\$ 281,558	\$ 578,432
2007	310,680	260,759	571,439
2008	320,362	252,139	572,501
2009	330,362	243,163	573,525
2010	340,362	233,769	574,131
2011 - 2015	1,901,810	994,175	2,895,985
2016 - 2020	1,916,018	642,635	2,333,721
2021 - 2025	1,150,000	362,758	1,512,758
2026 - 2030	<u>805,000</u>	<u>78,682</u>	<u>883,682</u>
	\$7,371,468	\$3,349,636	<u>10,721,104</u>
Obligation under contract for compensated absences			85,372
Total long-term debt and interest			\$10,581,544

An amount of \$277,917 is available in the debt service fund to service the general obligation debt. Interest expense for all funds for the year ended June 30, 2005 was \$437,487

The following is a summary of the changes in liabilities reported in the general long-term debt account group:

	<b><u>Balance June 30,2004</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance June 30,2005</u></b>	<b><u>Due within One year</u></b>
General					
Obligation bond	\$7,429,638	\$1,820,000	\$1,910,000	\$7,339,638	\$275,362
Compensated					
Absences	72,102	13,270		85,372	8,537
Bus Contracts	<u>\$ 73,342</u>	<u>-</u>	<u>41,512</u>	<u>31,830</u>	<u>21,512</u>
Totals	\$7,575,082	\$1,833,270	\$1,951,512	\$7,456,840	\$305,411

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 9 –EMPLOYEE RETIREMENT SYSTEM- DEFINED BENEFIT PLAN**

**Plan description**

The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Michigan Public School Employees Retirement System, P. O. Box 3006, Lansing, Michigan 48909 or by calling (517) 322-6000.

**Funding Policy**

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contribution. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

The district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2005 was 14.87% of payroll. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to the MPERS for the years ended June 30, 2005, 2004, and 2003 were \$461,151, \$432,535, and \$440,308, respectively, equal to the required contribution for the year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

Other Post employment Benefits - Under the MPERS Act, all retirees have the option of continuing health, dental, and vision coverage.

**NOTE 10 - RISK MANAGEMENT:**

**General Liability**

The District participates in the SET-SEG Property/Casualty Pool, Inc. for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses with a limit of \$2million per occurrence for real and personal property losses and a limit of \$2million in the aggregate for personal injury. For automotive liability, the pool constitutes transfer of the risk with a limit of \$2million for bodily injury and property damage combined. For excess liability, there is a limit of \$2millions for each occurrence. The District is required to pay an annual premium to the SET-SEG Property/Casualty Pool, Inc. for the liability coverage. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**Worker's Compensation**

The District is insured through SET/SEG Workers Compensation Disability Compensation for losses related to worker's compensation claims.

**KINGSTON COMMUNITY SCHOOLS**  
Notes to Financial Statements  
For The Year Ended June 30, 2005

**NOTE 10 - RISK MANAGEMENT (Continued)**

**Employee Health Care**

The District uses MESSA-PAK for health insurance coverage for its instructional employees and their dependents. The School District uses SET/SEG for health insurance coverage for its support staff, administration, and their dependents.

**NOTE 11 – PRIOR PERIOD ADJUSTMENT – QZAB:**

On the June 30, 2004 financial statements, the QZAB payment to retire the loan was charged as an expense in the general fund. This payment of \$55,362 should have been recorded as a transfer to the QZAB debt retirement fund and recorded as an asset in that fund.



## **REQUIRED SUPPLEMENTAL INFORMATION**

**KINGSTON COMMUNITY SCHOOLS**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>GENERAL FUND</b>			<b>VARIANCE</b>
	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES</b>				
Local sources	\$ 261,515	\$ 389,376	\$ 430,791	\$ 41,415
State sources	4,434,600	4,484,764	4,466,905	(17,859)
Federal sources	228,072	188,084	188,200	116
<b>TOTAL REVENUES</b>	<b>4,924,187</b>	<b>5,062,224</b>	<b>5,085,896</b>	<b>23,672</b>
<b>EXPENDITURES</b>				
Instruction	3,141,174	3,282,951	3,300,056	(17,105)
Supporting services	1,818,011	1,759,685	1,709,752	49,933
Community services	43,657	79,413	77,641	1,772
Debt service	96,874	41,512	41,512	-
<b>TOTAL EXPENDITURES</b>	<b>5,099,716</b>	<b>5,163,561</b>	<b>5,128,961</b>	<b>34,600</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(175,529)</b>	<b>(101,337)</b>	<b>(43,065)</b>	<b>58,272</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer from other funds	3,182	3,182	3,182	
Transfer to other funds	(104,445)	(159,807)	(155,362)	4,445
Payments from ISD	45,500	2,585	3,423	838
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(55,763)</b>	<b>(154,040)</b>	<b>(148,757)</b>	<b>5,283</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</b>	<b>(231,292)</b>	<b>(255,377)</b>	<b>(191,822)</b>	<b>63,555</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>1,134,471</b>	<b>1,134,471</b>	<b>1,134,471</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 903,179</b>	<b>\$ 879,094</b>	<b>\$ 942,649</b>	<b>\$ 63,555</b>

## ADDITIONAL INFORMATION

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
June 30, 2005

	<b>GOVERNMENTAL FUND TYPES</b>			<b>TOTAL</b>
	<b>SPECIAL REVENUE</b>	<b>CAPITAL PROJECTS</b>	<b>DEBT RETIREMENT</b>	<b>2005</b>
<b><i>ASSETS</i></b>				
Cash and equivalents	\$ 33,009		\$ 76,517	\$ 109,526
Investments	165,118	\$ 18,483	201,400	385,001
Due from other governmental units	2,325			2,325
Inventory	13,478			13,478
<b><i>TOTAL ASSETS</i></b>	<b><u>\$ 213,930</u></b>	<b><u>\$ 18,483</u></b>	<b><u>\$ 277,917</u></b>	<b><u>\$ 510,330</u></b>
<b><i>LIABILITIES AND FUND BALANCE</i></b>				
Accounts payable		\$ 18,483		\$ 18,483
Deferred revenue	\$ 5,821			5,821
<b><i>TOTAL LIABILITIES</i></b>	<b><u>5,821</u></b>	<b><u>18,483</u></b>	<b><u>-</u></b>	<b><u>24,304</u></b>
<b><i>FUND BALANCE</i></b>				
Reserved		-	\$ 277,917	277,917
Unreserved	208,109		-	208,109
<b><i>TOTAL FUND BALANCE</i></b>	<b><u>208,109</u></b>	<b><u>-</u></b>	<b><u>277,917</u></b>	<b><u>486,026</u></b>
<b><i>TOTAL LIABILITIES AND FUND BALANCE</i></b>	<b><u>\$ 213,930</u></b>	<b><u>\$ 18,483</u></b>	<b><u>\$ 277,917</u></b>	<b><u>\$ 510,330</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN NONMAJOR FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>GOVERNMENTAL FUND TYPES</u>			<u>TOTAL</u>
	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT RETIREMENT</u>	<u>2005</u>
REVENUES				
Local sources	\$ 147,717	\$ 3,738	\$ 471,967	\$ 623,422
State sources	19,047		-	19,047
Federal sources	127,995			127,995
TOTAL REVENUES	<u>294,759</u>	<u>3,738</u>	<u>471,967</u>	<u>770,464</u>
EXPENDITURES				
Salaries and wages	162,072			162,072
Employee benefits	42,830			42,830
Dues and Fees	8,193			8,193
Food and supplies	148,997			148,997
Purchased services	29,908	7,359		37,267
Insurance	2,160			2,160
Workshop & conference	2,702			2,702
Debt Service:				
Retirement of bonds			180,000	180,000
Interest on bonded debt			310,336	310,336
Fees			1,383	1,383
Capital outlay	208	339,009		339,217
Miscellaneous	3,757	31,649		35,406
TOTAL EXPENDITURES	<u>400,827</u>	<u>378,017</u>	<u>491,719</u>	<u>1,270,563</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(106,068)</u>	<u>(374,279)</u>	<u>(19,752)</u>	<u>(500,099)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds		135,051		135,051
Bond refunding activity			(1,863)	(1,863)
Operating transfers	96,818		55,362	152,180
TOTAL OTHER FINANCING SOURCES (USES)	<u>96,818</u>	<u>135,051</u>	<u>53,499</u>	<u>285,368</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(9,250)</u>	<u>(239,228)</u>	<u>33,747</u>	<u>(214,731)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>217,359</u>	<u>239,228</u>	188,808	645,395
PRIOR PERIOD ADJUSTMENT - QZAB			55,362	55,362
FUND BALANCE AT END OF YEAR	<u>\$ 208,109</u>	<u>\$ -</u>	<u>\$ 277,917</u>	<u>\$ 486,026</u>

**KINGSTON COMMUNITY SCHOOLS**  
**BALANCE SHEETS**  
**GENERAL FUND**  
June 30, 2005

	<u>2005</u>
<b><u>ASSETS</u></b>	
Cash and equivalents	\$ 49,286
Investments	887,919
Due from other governmental units	<u>904,332</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,841,537</u></b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>	
Accounts payable	\$ 17,204
Salaries payable	288,442
Accrued employee benefits	111,240
Accrued interest	6,700
Deferred revenue	25,302
Long term debt	450,000
Due to other funds	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>898,888</u></b>
<b><u>FUND BALANCE</u></b>	
Fund balances:	
Unreserved:	<u>942,649</u>
 Total unreserved	<u>942,649</u>
<b>TOTAL FUND BALANCE</b>	<b><u>942,649</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 1,841,537</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
LOCAL SOURCES:			
Property taxes	\$ 248,652	\$ 248,665	\$ 13
Interest earnings	13,650	14,772	1,122
TISD Special education	10,921	10,921	-
Tuition	7,050	7,050	-
Use of property	2,600	2,621	21
Sale of fixed assets	4,802	4,802	-
Community services-tuition	44,000	48,032	4,032
Community services-donations	15,801	15,858	57
Miscellaneous	41,900	78,070	36,170
TOTAL REVENUE FROM LOCAL SOURCES	<u>389,376</u>	<u>430,791</u>	<u>41,415</u>
STATE SOURCES:			
State school aid	4,168,880	4,168,882	2
Special education	80,559	80,559	-
At risk	119,158	119,145	(13)
School readiness	105,600	88,590	(17,010)
Career prep	-	-	-
Miscellaneous	10,567	9,729	(838)
TOTAL REVENUE FROM STATE SOURCES	<u>4,484,764</u>	<u>4,466,905</u>	<u>(17,859)</u>
FEDERAL SOURCES:			
Title I	135,987	136,389	402
Tech prep	2,000	2,000	-
Title II, Part A	41,938	41,938	-
Title II, Part D	3,773	3,773	-
Drug- Free grant	2,500	2,214	(286)
Title V	1,886	1,886	-
TOTAL REVENUE FROM FEDERAL SOURCES	<u>188,084</u>	<u>188,200</u>	<u>116</u>
TOTAL REVENUES	<u>5,062,224</u>	<u>5,085,896</u>	<u>23,672</u>
OTHER FINANCING SOURCES:			
Transfer from Bookstore		3,182	3,182
Payments from ISD	2,585	3,423	838
TOTAL OTHER FINANCING SOURCES	<u>2,585</u>	<u>6,605</u>	<u>4,020</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 5,064,809</u>	<u>\$ 5,092,501</u>	<u>\$ 27,692</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
ELEMENTARY			
Salaries	\$ 949,254	\$ 949,130	\$ 124
Employee benefits	441,380	440,901	479
Purchased services	5,660	5,049	611
Teaching supplies	21,132	37,224	(16,092)
Capital outlay	-	-	-
Miscellaneous	108	108	-
Total Elementary	<u>1,417,534</u>	<u>1,432,412</u>	<u>(14,878)</u>
HIGH SCHOOL:			
Salaries	786,452	786,069	383
Employee benefits	348,784	343,053	5,731
Teaching supplies	18,510	32,314	(13,804)
services	8,922	8,062	860
Capital outlay	1,106	1,106	-
Miscellaneous	1,166	1,074	92
Total High School	<u>1,164,940</u>	<u>1,171,678</u>	<u>(6,738)</u>
PRE-SCHOOL:			
Salaries	60,052	60,051	1
Employee benefits	15,530	15,529	1
Purchased services	664	664	-
Teaching supplies	5,322	5,207	115
Capital outlay	2,400	2,160	240
Miscellaneous	78	78	-
Total Pre-School	<u>84,046</u>	<u>83,689</u>	<u>357</u>
TOTAL BASIC PROGRAMS	<u>2,666,520</u>	<u>2,687,779</u>	<u>(21,259)</u>



**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
ADDED NEEDS:			
TITLE I			
Salaries	\$ 150,792	\$ 149,289	\$ 1,503
Employee benefits	27,965	27,658	307
Purchased services	1,753	1,752	1
Teaching supplies	2,662	2,660	2
Capital outlay	-	-	-
Miscellaneous	-	-	-
Total Title I	<u>183,172</u>	<u>181,359</u>	<u>1,813</u>
AT RISK EDUCATION			
Salaries	35,579	35,579	-
Employee benefits	33,711	33,507	204
Purchased services	-	-	-
Supplies	-	-	-
Capital outlay	-	-	-
Miscellaneous	2,943	2,943	-
Total At Risk Education	<u>72,233</u>	<u>72,029</u>	<u>204</u>
SPECIAL EDUCATION:			
Salaries	247,952	247,948	4
Employee benefits	106,100	105,950	150
Miscellaneous	104	89	15
Teaching supplies	6,420	4,590	1,830
Purchased services	450	312	138
Total Special Education	<u>361,026</u>	<u>358,889</u>	<u>2,137</u>
TOTAL ADDED NEEDS:	<u>616,431</u>	<u>612,277</u>	<u>4,154</u>
TOTAL INSTRUCTION	<u>3,282,951</u>	<u>3,300,056</u>	<u>(17,105)</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
<b>SUPPORTING SERVICES</b>			
Guidance			
Salaries	\$ 24,000	\$ 24,000	-
Employee Benefits	-	-	-
Purchased services	30,354	30,195	\$ 159
Teaching supplies	219	218	1
Capital outlay	-	-	-
Miscellaneous	-	-	-
Total Guidance	<u>54,573</u>	<u>54,413</u>	<u>160</u>
Crossing Guard			
Purchased services	<u>1,542</u>	<u>1,541</u>	<u>1</u>
Total crossing guard			
Library			
Salaries	27,639	27,638	1
Employee benefits	7,071	7,154	(83)
Purchased Services	1,688	1,524	164
Supplies	4,757	4,535	222
Capital outlay	35	35	-
Miscellaneous	<u>3,949</u>	<u>3,949</u>	<u>-</u>
Total library	<u>45,139</u>	<u>44,835</u>	<u>304</u>
Improvement Of Instruction			
Purchased services	<u>1,951</u>	<u>1,886</u>	<u>65</u>
Total improvement of instruction	<u>1,951</u>	<u>1,886</u>	<u>65</u>
Tech Prep			
Purchased services	<u>627</u>	<u>627</u>	<u>-</u>
Total tech prep	<u>627</u>	<u>627</u>	<u>-</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES: (CONTINUED)			
General administration			
Board of Education	\$ 4,000	\$ 3,150	\$ 850
Election	1,834	1,834	-
Professional fees	13,400	12,782	618
Superintendent salary	101,875	101,874	1
Other salaries	26,568	25,587	981
Purchased services	20,669	19,751	918
Supplies	2,420	2,314	106
Employee benefits	67,658	65,878	1,780
Capital outlay	260	252	8
Miscellaneous	6,248	6,538	(290)
Total general administration	<u>244,932</u>	<u>239,960</u>	<u>4,972</u>
School administration			
Salaries	232,130	231,173	957
Employee benefits	132,285	130,056	2,229
Purchased services	24,840	22,080	2,760
Office supplies	2,450	2,031	419
Capital outlay	130	130	-
Miscellaneous	2,280	2,039	241
Other school administration	3,612	4,228	(616)
Total school administration	<u>397,727</u>	<u>391,737</u>	<u>5,990</u>
Fiscal Service			
Salaries	34,211	34,210	1
Employee benefits	28,605	28,599	6
Purchased services	2,000	1,936	64
Supplies	1,313	1,312	1
Capital outlay	-	-	-
Miscellaneous	120	120	-
Total fiscal service	<u>66,249</u>	<u>66,177</u>	<u>72</u>

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES: (CONTINUED)			
Other Business Service			
Taxes abated	\$ 10,990	\$ 10,990	-
Building and property insurance	14,607	14,607	-
Interest expense	11,659	7,186	\$ 4,473
Total other business service	<u>37,256</u>	<u>32,783</u>	<u>4,473</u>
Technology			
Salaries	24,572	22,773	1,799
Employee benefits	6,166	5,850	316
Purchased services	23,509	23,758	(249)
Supplies	6,357	5,904	453
Capital outlay	600	520	80
Miscellaneous	100	100	-
Total technology	<u>61,304</u>	<u>58,905</u>	<u>2,399</u>
Operation and maintenance of plant			
Salaries	208,521	205,842	2,679
Employee benefits	126,698	117,900	8,798
Purchased services	36,064	35,922	142
Miscellaneous	950	817	133
Electricity	102,700	98,199	4,501
Repairs and maintenance	23,000	20,574	2,426
Custodial supplies	40,250	35,653	4,597
Heat	75,000	72,719	2,281
Sewer	7,924	8,722	(798)
Capital outlay	600	597	3
Total operation and maintenance of plant	<u>621,707</u>	<u>596,945</u>	<u>24,762</u>
Pupil transportation			
Salaries	100,691	100,268	423
Employee benefits	27,343	24,402	2,941
Purchased services	44,119	43,657	462
Supplies	50,850	47,980	2,870
Capital outlay	2,000	1,973	27
Miscellaneous	1,675	1,663	12
Total pupil transportation	<u>226,678</u>	<u>219,943</u>	<u>6,735</u>
TOTAL SUPPORTING SERVICES	1,759,685	1,709,752	49,933

**KINGSTON COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES:			
Drivers Education			
Purchased service	\$ 6,104	\$ 6,104	-
Supplies	-	-	-
Miscellaneous	100	-	\$ 100
Total Drivers Education	<u>6,204</u>	<u>6,104</u>	<u>100</u>
Cardinal Center			
Salaries	46,000	44,364	1,636
Supplies	8,129	7,849	280
Workshop & Conferences	95	92	3
Purchased Services	8,143	8,142	1
Dues and fees	1,119	1,119	-
Employee benefits	9,723	9,971	(248)
Total Cardinal Center	<u>73,209</u>	<u>71,537</u>	<u>1,672</u>
TOTAL COMMUNITY SERVICES	<u>79,413</u>	<u>77,641</u>	<u>1,772</u>
DEBT SERVICE:			
Principal retirement			
Bus contracts	41,512	41,512	-
Total principal retirement	<u>41,512</u>	<u>41,512</u>	<u>-</u>
TOTAL DEBT SERVICE	<u>41,512</u>	<u>41,512</u>	<u>-</u>
TOTAL EXPENDITURES	5,163,561	5,128,961	34,600
OTHER FINANCING USES			
Transfer to Other Funds	159,807	155,362	4,445
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 5,323,368</u>	<u>\$ 5,284,323</u>	<u>\$ 39,045</u>

**KINGSTON COMMUNITY SCHOOLS**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2005

	<u>FOOD SERVICES</u>	<u>PUBLIC LIBRARY FUND</u>	<u>ATHLETIC ACTIVITIES</u>	<u>WOLOSHEN</u>	<u>TOTAL 2005</u>
<b><u>ASSETS</u></b>					
Cash and equivalents	\$ 16,478	\$ 5,497	\$ 11,034	-	\$ 33,009
Investments	24,072	-	-	\$ 141,046	165,118
Due from other governmental units	2,325	-	-	-	2,325
Inventory	13,478	-	-	-	13,478
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 56,353</u></b>	<b><u>\$ 5,497</u></b>	<b><u>\$ 11,034</u></b>	<b><u>\$ 141,046</u></b>	<b><u>\$ 213,930</u></b>
 <b><u>LIABILITIES &amp; FUND EQUITY</u></b>					
LIABILITIES:					
Deferred revenue	\$ 5,821	\$ -	\$ -	\$ -	\$ 5,821
<b><u>TOTAL LIABILITIES</u></b>	<b><u>5,821</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>5,821</u></b>
 FUND BALANCE:					
Fund Balance	50,532	5,497	11,034	141,046	208,109
<b><u>TOTAL FUND BALANCE</u></b>	<b><u>50,532</u></b>	<b><u>5,497</u></b>	<b><u>11,034</u></b>	<b><u>141,046</u></b>	<b><u>208,109</u></b>
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b><u>\$ 56,353</u></b>	<b><u>\$ 5,497</u></b>	<b><u>\$ 11,034</u></b>	<b><u>\$ 141,046</u></b>	<b><u>\$ 213,930</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**ALL SPECIAL REVENUE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>FOOD SERVICES</u>	<u>PUBLIC LIBRARY FUND</u>	<u>ATHLETIC ACTIVITIES</u>	<u>BOOKSTORE/ WOLOSHEN</u>	<u>TOTAL 2005</u>
REVENUES:					
Local sources	\$ 89,845	\$ 23,147	\$ 31,939	\$ 2,786	\$ 147,717
State sources	17,320	1,727			19,047
Federal sources	127,995	-			127,995
TOTAL REVENUES	<u>235,160</u>	<u>24,874</u>	<u>31,939</u>	<u>2,786</u>	<u>294,759</u>
EXPENDITURES:					
Salaries and wages	91,255	5,826	64,991		162,072
Employee benefits	27,128	1,248	14,454		42,830
Purchased services	5,388	1,435	17,421	5,664	29,908
Food and supplies	106,802	7,699	15,348	19,148	148,997
Insurance	-	-	2,160		2,160
Dues and Fees	1,237	1,781	5,175		8,193
Workshop & conferences	30	1,320	1,352		2,702
Capital outlay	208	-	-		208
Miscellaneous	760	68	2,929		3,757
TOTAL EXPENDITURES	<u>232,808</u>	<u>19,377</u>	<u>123,830</u>	<u>24,812</u>	<u>400,827</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,352</u>	<u>5,497</u>	<u>(91,891)</u>	<u>(22,026)</u>	<u>(106,068)</u>
OTHER FINANCING SOURCES (USES):					
Transfer Bookstore to General Fund				(3,182)	(3,182)
Fund transfers in			100,000		100,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>2,352</u>	<u>5,497</u>	<u>8,109</u>	<u>(25,208)</u>	<u>(9,250)</u>
FUND BALANCE AT BEGINNING OF YEAR	48,180	-	2,925	163,072	214,177
Bookstore Fund Balance				3,182	3,182
FUND BALANCE AT END OF YEAR	<u>\$ 50,532</u>	<u>\$ 5,497</u>	<u>\$ 11,034</u>	<u>\$ 141,046</u>	<u>\$ 208,109</u>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING DEBT RETIREMENT FUNDS**  
**BALANCE SHEET**  
June 30, 2005

	<u>1996 DEBT</u>	<u>2002 R DEBT</u>	<u>2002 E DEBT</u>	<u>QZAB DEBT</u>	<u>TOTAL</u>
<b><i>ASSETS</i></b>					
Cash and equivalents	\$ 24,463	\$ 16,227	\$ 35,827		\$ 76,517
Investments	<u>31,563</u>	<u>2,526</u>	<u>56,587</u>	<u>\$ 110,724</u>	<u>201,400</u>
<b><i>TOTAL ASSETS</i></b>	<b><u>\$ 56,026</u></b>	<b><u>\$ 18,753</u></b>	<b><u>\$ 92,414</u></b>	<b><u>\$ 110,724</u></b>	<b><u>\$ 277,917</u></b>
 <b><i>LIABILITIES &amp; FUND BALANCE</i></b>					
LIABILITIES:					
FUND BALANCE:					
Fund balance	<u>\$ 56,026</u>	<u>\$ 18,753</u>	<u>\$ 92,414</u>	<u>\$ 110,724</u>	<u>\$ 277,917</u>
<b><i>TOTAL LIABILITIES &amp; FUND BALANCE</i></b>	<b><u>\$ 56,026</u></b>	<b><u>\$ 18,753</u></b>	<b><u>\$ 92,414</u></b>	<b><u>\$ 110,724</u></b>	<b><u>\$ 277,917</u></b>



**KINGSTON COMMUNITY SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2005**

	<u>1996 DEBT</u>	<u>2002 E DEBT</u>	<u>2002 R DEBT</u>	<u>QZAB DEBT</u>	<u>TOTAL</u>
REVENUES:					
Local Sources:					
Property Taxes	\$ 150,532	\$ 221,617	\$ 97,822		\$ 469,971
Interest Income	703	1,018	275	-	1,996
State Sources		-	-	-	-
TOTAL REVENUES	<u>151,235</u>	<u>222,635</u>	<u>98,097</u>	<u>-</u>	<u>471,967</u>
EXPENDITURES:					
Retirement of bonds	50,000	60,000	70,000		180,000
Interest on bonded debt	106,580	170,763	32,993		310,336
Fees	531	354	498		1,383
TOTAL EXPENDITURES	<u>157,111</u>	<u>231,117</u>	<u>103,491</u>	<u>-</u>	<u>491,719</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,876)</u>	<u>(8,482)</u>	<u>(5,394)</u>	<u>-</u>	<u>(19,752)</u>
OTHER FINANCING SOURCES (USES):					
Transfer from general fund				\$ 55,362	55,362
Proceeds from bond refunding	1,851,851				1,851,851
Payment to bond escrow agent	(1,786,726)				(1,786,726)
Payments for premiums and discounts	(23,709)				(23,709)
Bond issuance costs	(43,279)				(43,279)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,863)</u>	<u>-</u>	<u>-</u>	<u>55,362</u>	<u>53,499</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>(7,739)</u>	<u>(8,482)</u>	<u>(5,394)</u>	<u>55,362</u>	<u>33,747</u>
FUND BALANCES:					
Beginning of Year	<u>63,765</u>	<u>100,896</u>	<u>24,147</u>	<u>-</u>	<u>188,808</u>
Prior period adjustment - QZAB				<u>55,362</u>	<u>55,362</u>
End of Year	<u>\$ 56,026</u>	<u>\$ 92,414</u>	<u>\$ 18,753</u>	<u>\$ 110,724</u>	<u>\$ 277,917</u>

**KINGSTON COMMUNITY SCHOOLS**  
**COMBINING CAPITAL PROJECTS FUND**  
**BALANCE SHEET**  
June 30, 2005

	<u>ELEMENTARY</u>	<u>QZAB</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
Investments	\$ 8,475	\$ 10,008	\$ 18,483
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 8,475</u></b>	<b><u>\$ 10,008</u></b>	<b><u>\$ 18,483</u></b>
 <b><u>LIABILITIES &amp; FUND BALANCE</u></b>			
LIABILITIES:			
Accounts payable	\$ 8,475	\$ 10,008	\$ 18,483
Deferred Revenue		-	-
<b>TOTAL LIBALITIES</b>	<b>8,475</b>	<b>10,008</b>	<b>\$ 18,483</b>
 FUND BALANCE:			
Fund balance	-	-	-
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b><u>\$ 8,475</u></b>	<b><u>\$ 10,008</u></b>	<b><u>\$ 18,483</u></b>

**KINGSTON COMMUNITY SCHOOLS**  
**CAPITAL PROJECTS FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2005**

	<u>ELEMENTARY</u>	<u>QZAB</u>	<u>TOTAL</u>
REVENUES:			
Local Sources:			
Interest Income	\$ 2,646	\$ 1,092	\$ 3,738
State Sources	-	-	-
TOTAL REVENUES	<u>2,646</u>	<u>1,092</u>	<u>3,738</u>
EXPENDITURES:			
Purchased services	2,693	4,666	7,359
Capital outlay	226,034	112,975	339,009
Miscellaneous	<u>5,782</u>	<u>25,867</u>	<u>31,649</u>
TOTAL EXPENDITURES	<u>234,509</u>	<u>143,508</u>	<u>378,017</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(231,863)</u>	<u>(142,416)</u>	<u>(374,279)</u>
OTHER FINANCING SOURCES (USES):			
Bond proceeds		\$ 135,051	135,051
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>135,051</u>	<u>135,051</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	<u>(231,863)</u>	<u>(7,365)</u>	<u>(239,228)</u>
FUND BALANCES:			
Beginning of Year	<u>231,863</u>	<u>7,365</u>	<u>239,228</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**KINGSTON COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BALANCE AT 6/30/2004</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT 6/30/2005</u>
<b>GENERAL FUND ACTIVITIES:</b>				
Band- resale HS	\$ 278	\$ 2,020	\$ 1,315	\$ 983
Flower	605	-	55	550
Yearbook	2,345	8,735	10,569	511
Batting cage	3,103	-	2,399	704
In & Out	135	4,008	3,895	248
HS summer school	3,664	180	2,928	916
Shop- resale	3,638	319	868	3,089
Interest	663	19	-	682
Pop fund	17,591	7,845	10,787	14,649
<b>TOTAL GENERAL FUND ACTIVITIES</b>	<u>32,022</u>	<u>23,126</u>	<u>32,816</u>	<u>22,332</u>
<b>STUDENT ACTIVITIES:</b>				
<b>ELEMENTARY SCHOOLS:</b>				
Candy Fund	7,569	28,399	27,530	8,438
Book Fair	3,704	5,125	5,172	3,657
RIF	103	-	103	-
Student Council	2,080	-	-	2,080
Pop & Pencil Fund	2,451	-	2,451	-
Carol Wright Memorial	-	40	-	40
Accelerated Reader	1,012	368	1,347	33
Happening Committee	118	-	118	-
Elem. Playground	888	-	888	-
Elem. Store	322	1,278	691	909
Winter Warmup	1,283	1,486	2,413	356
Elem. Humanities	1	-	1	-
<b>TOTAL ELEMENTARY SCHOOLS</b>	<u>19,531</u>	<u>36,696</u>	<u>40,714</u>	<u>15,513</u>
<b>MIDDLE/HIGH SCHOOLS:</b>				
Academic Boosters	302	-	302	-
Kingston Alumni Reunion	438	200	600	38
Class of 2005	9,003	4,205	12,033	1,175
Class of 2006	10,245	12,017	8,960	13,302
Class of 2007	4,690	2,086	2,357	4,419
Class of 2008	1,935	4,559	4,930	1,564
Class of 2009	2,417	7,722	8,599	1,540
Class of 2009 Candy	-	15,015	14,867	148
Washington DC Trip	-	25,019	25,019	-
Class of 2010	-	1,771	758	1,013
Cheerleading	1,019	5,367	6,334	52
Student Council	4,629	2,652	5,750	1,531

**KINGSTON COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**SCHEDULE OF RECEIPTS, DISBURSEMENTS,**  
**AND CHANGES IN LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>BALANCE AT</u> <u>6/30/2004</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE AT</u> <u>6/30/2005</u>
Drama Club	\$ 169	-	-	\$ 169
Art Club	380	\$ 420	\$ 548	252
Art Club Trip	-	2,815	2,815	-
Equestrian Club	13	40	29	24
Helping Hands	198	632	417	413
Dance Team	100	170	125	145
Football Club	1,252	5,922	5,699	1,475
Track Club	-	9,614	7,414	2,200
Baseball Club	-	427	544	(117)
Boys Basketball Club	-	6,036	6,667	(631)
Environmental Club	(89)	264	300	(125)
Girls Basketball Club	1,004	6,278	3,073	4,209
Special Education	843	857	828	872
Entrepreneurship Store	119	119	-	238
SADD	1,886	1,430	1,628	1,688
Student Scholarships	5,910	4,405	3,800	6,515
HS Staff Scholarship	103	-	103	-
National Honor Society	2,392	621	1,166	1,847
Life Skills Class	416	4,002	4,419	(1)
TAPA	187	-	43	144
HS Store Fund	-	817	-	817
Bookstore & Library	-	5,901	5,901	-
Student Interest	1,100	114	367	847
	<u>50,661</u>	<u>131,497</u>	<u>136,395</u>	<u>45,763</u>
TOTAL MIDDLE/HIGH SCHOOLS				
	<u>\$ 70,192</u>	<u>\$ 168,193</u>	<u>\$ 177,109</u>	<u>\$ 61,276</u>
TOTAL AGENCY FUND				

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 1996 ISSUE**  
June 30, 2005

<u>PRINCIPAL DUE MAY 1</u>	<u>RATE</u>	<u>INTEREST DUE</u>		<u>DEBT SERVICE REQUIREMENT FOR FISCAL YEAR</u>	
		<u>MAY 1</u>	<u>NOVEMBER 1</u>	<u>JUNE 30</u>	<u>AMOUNT</u>
	5.85		\$ 1,690	2005	\$ 1,690
<u>\$ 65,000</u>	5.20	<u>\$ 1,690</u>	<u>0</u>	2006	<u>66,690</u>
<u><u>\$ 65,000</u></u>		<u><u>\$ 1,690</u></u>	<u><u>\$ 1,690</u></u>		<u><u>\$ 68,380</u></u>

Total amount of original issue was \$1,970,000. The original bonds were refinanced in 2005.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT -2002 ISSUE**  
June 30, 2005

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
			\$ 15,096	2005	\$ 15,096
\$ 65,000	4.00	\$ 15,096	13,796	2006	93,892
60,000	4.00	13,796	12,597	2007	86,393
55,000	4.00	12,597	11,496	2008	79,093
50,000	4.10	11,496	10,471	2009	71,967
40,000	4.20	10,471	9,631	2010	60,102
45,000	4.30	9,631	8,664	2011	63,295
50,000	4.40	8,664	7,564	2012	66,228
50,000	4.55	7,564	6,426	2013	63,990
50,000	4.55	6,426	5,264	2014	61,690
45,000	4.75	5,263	4,195	2015	54,458
55,000	4.85	4,195	2,862	2016	62,057
55,000	4.95	2,862	1,500	2017	59,362
60,000	5.00	1,500		2018	61,500
<u>\$ 680,000</u>		<u>\$ 109,561</u>	<u>\$ 109,562</u>		<u>\$ 899,123</u>

The total amount of original issue was \$900,000.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 2002E ISSUE**  
June 30, 2005

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
	3.00		\$ 84,481	2005	\$ 84,481
\$ 65,000	3.00	\$ 84,481	83,508	2006	232,989
80,000	3.25	83,508	82,206	2007	245,714
95,000	3.50	82,206	80,544	2008	257,750
95,000	3.63	80,544	78,822	2009	254,366
100,000	3.63	78,822	77,010	2010	255,832
105,000	3.63	77,010	75,106	2011	257,116
110,000	3.80	75,106	73,016	2012	258,122
120,000	4.00	73,016	70,616	2013	263,632
125,000	4.00	70,616	68,116	2014	263,732
135,000	4.10	68,116	65,349	2015	268,465
140,000	4.40	65,349	62,269	2016	267,618
150,000	4.40	62,269	58,967	2017	271,236
165,000	4.40	58,967	55,339	2018	279,306
190,000	4.40	55,339	51,159	2019	296,498
200,000	4.55	51,159	46,609	2020	297,768
210,000	4.65	46,609	41,726	2021	298,335
220,000	4.70	41,726	36,556	2022	298,282
230,000	4.75	36,556	31,094	2023	297,650
240,000	4.75	31,094	25,394	2024	296,488
250,000	4.75	25,394	19,456	2025	294,850
260,000	4.80	19,456	13,216	2026	292,672
270,000	4.85	13,216	6,669	2027	289,885
275,000	4.85	6,669		2028	281,669
<u>\$ 3,830,000</u>		<u>\$ 1,287,228</u>	<u>\$ 1,287,228</u>		<u>\$ 6,404,456</u>

Bonds in the amount of \$3,940,000 were issued for the purpose of erecting, furnishing and equipping additions to Kingston Elementary School.



**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF QUALIFIED ZONE ACADEMY BONDS**  
June 30, 2005

The original amount borrowed during the year ended June 30, 2003 was \$944,638.

<b>MATURITY DATE</b>	<b>PRINCIPAL</b>
2005	\$ 55,362
2006	55,362
2007	55,362
2008	55,362
2009	55,362
2010	55,362
2011	55,362
2012	55,362
2013	55,362
2014	55,362
2015	55,362
2016	55,362
2017	55,362
	<u>\$ 719,706</u>

Qualified zone academy bonds - 15 annual payments of \$55,362 from November 1, 2003 through 2017 will be paid into a bank escrow account with the entire principal amount due November 1, 2017.

**KINGSTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - 2005 REFUNDING BONDS**  
June 30, 2005

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE		DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		MAY 1	NOVEMBER 1	JUNE 30	AMOUNT
			\$ 44,288		
\$ 25,000	3.00	\$ 33,216	32,842	2006	\$ 102,504
105,000	3.00	32,842	31,266	2007	170,684
115,000	3.00	31,266	29,541	2008	177,532
130,000	3.00	29,541	27,591	2009	189,082
145,000	3.25	27,591	25,235	2010	200,182
150,000	4.00	25,235	22,235	2011	200,470
150,000	4.00	22,235	19,235	2012	194,470
155,000	4.00	19,235	16,135	2013	193,470
165,000	4.00	16,135	12,835	2014	197,270
170,000	3.65	12,835	9,733	2015	195,670
170,000	3.65	9,733	6,630	2016	189,466
170,000	3.90	6,630	3,315	2017	183,260
170,000	3.90	3,315		2018	176,630
<u>\$ 1,820,000</u>		<u>\$ 269,809</u>	<u>\$ 280,881</u>		<u>\$ 2,370,690</u>

Bonds in the amount of \$1,820,000 were issued for the purpose of refinancing the 1996 bonds.



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Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

**REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 11, 2005

Board of Education  
Kingston Community Schools  
Kingston, Michigan 48741

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kingston Community Schools as of and for the year ended June 30, 2005, which collectively comprise the basic financial statements of the District's primary government and have issued our report thereon dated August 11, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Kingston Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether Kingston Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Education  
Kingston Community Schools  
August 11, 2005

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS